

Frequently Asked Questions (FAQS)

on Bank Indonesia Regulation No. 10/2/PBI/2008 dated February 4, 2008,
concerning Bank Indonesia - Scripless Securities Settlement System

Q. What is the function of the BI-SSSS?

A. The BI-SSSS is a facility which functions to conduct Transactions with Bank Indonesia, administration of Transactions with Bank Indonesia, and Securities administration.

Q. What is the function of Bank Indonesia in the BI-SSSS?

A. In the BI-SSSS Bank Indonesia performs as :

- 1) the Operator which implements and maintains smoothness of BI-SSSS operations;
- 2) the Operator which performs as the Central Registry to conduct Securities administration for Banks, Sub-Registries, and other parties holding Securities Accounts with the BI-SSSS;
- 3) the Operator which conducts Transactions with Bank Indonesia in OMO, Funding Facilities, SBN transactions for and on behalf of the Government and/or other transactions through the BI-SSSS; and
- 4) a BI-SSSS Participant which conducts OMO transactions with Banks on bilateral basis and as a Securities holder.

Q. Which parties may become BI-SSSS Participants?

A. The parties eligible to become BI-SSSS Participants are :

- (1) Bank Indonesia;
- (2) the Ministry of Finance of the Republic of Indonesia;
- (3) Banks;
- (4) Depository and Settlement Institutions;
- (5) Rupiah and Foreign Exchange Money Market Brokerage Companies;
- (6) Securities Companies; and
- (7) other institutions approved by Bank Indonesia,
which perform as :

a) Securities ...

- a) Securities Issuer;
- b) OMO Participant;
- c) Funding Facility Participant;
- d) SBN Auction Participant; and/or
- e) Holder of Securities Account with the Central Registry

Those parties may become Participant after fulfilling requirements as stipulated by Bank Indonesia.

Q. What are the obligations of Participants and what is the consequence if a Participant fails to fulfill the obligations?

- A. The obligations of Participants are to :
- a. maintain smoothness and security in the application of the BI-SSSS;
 - b. be accountable for the validity of transactions, transaction instructions and/or settlements, and the entire information they transmit to the Operator through the BI-SSSS;
 - c. comply with Bank Indonesia provisions and related provisions; and
 - d. fulfill either Agreement on the Application of BI-SSSS between Operator and Participant or written agreements among Participants (bye-laws) continuously referring to this Bank Indonesia Regulation.

Any Participant failing to fulfill the agreement shall be liable to an administrative sanction in the form of written warning.

In addition to the abovementioned obligations, any Participant conducting activities as a Sub-Registry is also required to comply with provisions concerning administration as stipulated by Bank Indonesia. Any Sub-Registry failing to fulfill the obligation shall be liable to an administrative sanction in the form of written warning or abrogation of approval as a Sub-Registry.

Q. How is the membership in the BI-SSSS for a Bank which conducts activities as a Sub-Registry?

- A. For a Bank performing as a Sub-Registry, the Bank's membership as a Sub-Registry must be separated from the Bank's membership. Therefore, if a Bank which has become a Participant is about to conduct activities as a Sub-Registry, it is required to reapply for the membership as a Participant. This is intended to separate

Securities assets ownership on behalf of the Bank from Securities assets of customers.

Q. May the membership status in the BI-SSSS change and why does it change?

A. The membership status in the BI-SSSS comprise active, freeze, and closed.

The membership status may change from active to freeze or closed and from freeze to active or closed. The party authorized to change the status of Participant is the Operator based on :

- a. written request and/or decision of the authorized supervisory institution which supervises Participant' business;
- b. sentence of the court with a final and binding legal force which may bring about a change of membership status; or
- c. written request of the concerned Participant.

Q. If a Participant is also a BI-RTGS System Participant, is there any correlation between its membership status in the BI-SSSS and in the BI-RTGS System?

A. Yes. The membership status in the BI-SSSS and in the BI-RTGS System is stipulated as follows.

- a. The change of membership status to freeze or closed in the BI-SSSS shall not bring about any change of membership status in the BI-RTGS System;
- b. The change of membership status to suspend in the BI-RTGS System shall not bring about any change of membership status in the BI-SSSS;
- c. The change of membership status to freeze or closed in the BI-RTGS System shall bring about a change of the same membership status in the BI-SSSS.

Q. Does a suspend status in the BI-RTGS System influence active Participant in BI-SSSS operations?

A. Yes. If a Participant has an active status but its status in the BI-RTGS System is suspend, it may not purchase Securities by DVP.

Q. May a Participant conduct Transactions with Bank Indonesia by designating other Participant as the broker?

A. Yes. Any Participant may conduct Transactions with Bank Indonesia either directly or by designating other Participant as the broker in accordance with applicable Bank Indonesia provisions. Transactions with Bank Indonesia through broker may

not be ...

not be conducted, among other things, for transactions of Funding Facilities and repo.

If a Participant designates a broker, the concerned Participant shall determine a maximum broker bidding limit per day for the assigned broker and shall be stipulated in a specific agreement between the Participant and the broker.

Q. What activities are covered in the Administration of Transactions with Bank Indonesia?

A. The activities covered in the administration of Transactions with Bank Indonesia are administration of OMO Instruments, Funding Facilities, and SBN transactions for and on behalf of the Government and other transactions through the BI-SSSS as well.

Q. What is the difference between the Central Registry and the Sub-Registry in a Securities administration system by a two tier system?

A. The difference between the Central Registry and the Sub-Registry in this securities administration system is as follows.

- a. The Central Registry administers Securities for Banks, Sub-Registries, and other parties holding Securities Accounts with the BI-SSSS.
- b. The Sub-Registry administers Securities for customers.

Q. May a party which does not hold Securities Account with the Central Registry conduct Securities transactions?

A. Yes. Any party which does not hold Securities Account with the Central Registry may conduct Securities transactions in the BI-SSSS by designating a Sub-Registry to conduct the administration on Securities it holds in advance.

Q. Which parties may become Sub-Registries?

A. The parties eligible to become Sub-Registries are Banks, Depository and Settlement Institutions, and Securities Companies which have fulfilled requirements stipulated by Bank Indonesia.

Q. What types of transactions which settlement through the BI-SSSS may be conducted by Free of Payment (FoP)?

A. The Securities transactions which may be settled by FoP are :

- a. transfer by Securities holder with the same identity;

b. transfer ...

- b. transfer of Securities ownership for grant, inheritance, liability redemption, exchange, transfer due to sentence of the court, and lending and borrowing; and
- c. other transactions, such as Securities issuance in effort of private placement or Exchange Traded Fund, as far as they have been approved by the authorized institution (such as the Ministry of Finance of the Republic of Indonesia, Bapepam-LK for transactions related to Capital Market, or Bank Indonesia for transactions related to banks).

Q. What is the meaning of "Securities transaction settlements through the BI-SSSS shall be final"?

- A. It means that the Operator shall not conduct any unwinding on any Securities transaction which has been settled through the BI-SSSS.

Q. May a Participant request the Operator to discontinue a repo transaction settlement before maturity if one of the parties in transaction experiences a default or breach of contract?

- A. Yes. The Operator has the authority to discontinue Securities transaction in the secondary market before maturity (early termination) for Securities transactions with two processes of settlement, namely the first leg transaction settlement and the second leg transaction settlement. Those transactions, among other things, are repo and pledge transactions.

The Operator may discontinue such transaction settlement based on :

- a. request of Participant which may be approved by the Operator only if the Participant requesting it may demonstrate a delegation of authority to such Participant to cancel the transaction from its transaction counterpart; or
- b. decision of the authorized supervisory institution, sentence of the court and/or arbitration institution which has a final and binding legal force.

Q. May a Participant request for an extension of BI-SSSS operating hours and is there any fee for such request?

- A. Yes. Any Participant may request for an extension of BI-SSSS operating hours to the Operator in the course of a BI-SSSS operation under the procedure as regulated in Bank Indonesia Circular Letter concerning BI-SSSS. Any extension of BI-SSSS operating hours shall bring about an extension of BI-RTGS System operating hours

that on ...

that on such Participant shall be charged a fee for the extension of operating hours in accordance with applicable provisions concerning BI-RTGS System.

Q. In the event of a difference between transaction and settlement data held by a Participant and those available at the Operator, which data shall be considered correct?

A. The data which shall be considered correct are those available at the Operator.

DPM